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10 UNITED STATES DISTRICT COURT
11 CENTRAL DISTRICT OF CALIFORNIA
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13 MEHRDAD TAGHDIRI, an individual,

14 Plaintiff,

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16 vs.

17 MYKALAI KONTILAI, an individual;
18 and COLLECTORS COFFEE, INC., a
19 Nevada corporation,

20 Defendants.
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Case No.

COMPLAINT FOR:

- (1) Securities Fraud [Rule 10b-5],
- (2) Securities Fraud [Cal. Corp. Code §§ 25401/25501
- (3) Breach of Fiduciary Duty,
- (4) Intentional Misrepresentation and Concealment,
- (5) Negligent Misrepresentation, and
- (6) Unjust Enrichment.

JURY DEMAND

1 Plaintiff Mehrdad Taghdiri (“Plaintiff”) alleges:

2 **THE PARTIES**

3 1. Plaintiff is a citizen of the State of California and, at all times relevant
4 to the events alleged herein, a resident of the County of Los Angeles.

5 2. Plaintiff is informed and believes, and thereon alleges, that Defendant
6 Mykalai Kontilai (“MK”) is a citizen and resident of either Las Vegas, Nevada or
7 New York, New York.

8 3. Defendant Collectors Coffee, Inc., is a Nevada corporation which
9 maintains its principal place of business in Clark County, Nevada. Defendant MK is
10 the President, Chief Executive Officer, board chairman, and controlling stockholder
11 of CCI.

12 **JURISDICTION AND VENUE**

13 4. This Court has jurisdiction over this dispute pursuant to section 10(b)
14 of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 CFR § 240.10b-5],
15 and sections 21(d) and 27 of the Exchange Act [15 U.S.C. §§ 77u (e), 78u, and 78a
16 (a)]. Defendants acting directly and in concert with one another, have made use of
17 the means of interstate commerce in connection with the fraudulent sale of the
18 securities described below in paragraphs 5 and 6 of this Complaint. This Court also
19 has jurisdiction pursuant to 28 U.S.C. § 1332 in that the citizenship of the parties is
20 diverse and the amount in controversy exceeds \$75,000, exclusive of pre-judgment
21 interest and costs.

22 **ALLEGATIONS COMMON TO EACH**

23 **CLAIM FOR RELIEF**

24 5. According to Defendants, CCI’s business was, *inter alia*, to act as an
25 intermediary for the sale of valuable collectibles and memorabilia of every variety,
26 such as rare sports collectibles including, in particular, the original contracts signed
27 by Jackie Robinson pursuant to which he broke the color barrier to become the first
28 African American major league baseball player. In return for serving as an

1 intermediary, CCI would be entitled to receive substantial commission payments.
2 What supposedly made CCI a particularly attractive investment opportunity, again
3 according to Defendants, was the represented fact that CCI had in place the “first
4 ever” Authenticity Insurance Policy in the collectibles industry to protect and
5 reassure buyers that the collectibles offered for sale were in fact genuine. In its
6 written Business Plan, delivered to Plaintiff by electronic mail in California,
7 Defendants represented, *inter alia*, that CCI has on-hand a “massive” inventory of
8 exclusive collectibles and memorabilia “under contract” which had been “pre-
9 insured” and “pre authenticated.”

10 6. On April 7, 2016, Plaintiff purchased 125,000 shares of non-voting
11 CCI Series A preferred stock for the sum of \$250,000, in reasonable reliance upon
12 various representations made by MK, on his own behalf, although he was not a
13 licensed broker-dealer in any jurisdiction, and as the authorized agent of the issuer
14 CCI, including the representations set forth in paragraph 5, and (i) that CCI was the
15 sole owner of, and its inventory included, Jackie Robinson contracts with an
16 appraised value of \$36 million, (ii) that CCI had entered into Authenticity Insurance
17 Policies with so-called “partner insurance companies” such as Lloyds of London,
18 AIG, Liberty Mutual, Chubb, C.V. Starr, Navigators and XL, (iii) that the insurance
19 policies had been invented by MK, were exclusive to CCI, and would serve to
20 guarantee the authenticity of collectibles purchased through CCI thereby giving the
21 company an overwhelming competitive advantage in the marketplace, (iv) that CCI
22 had entered into a “partnership and contract” with AON Corporation pursuant to
23 which a division of AON (Aon Affinity) would manage and oversee all insurance
24 related customer service and claims processing relating to the “Authenticity
25 Insurance Policy Program,” (v) that CCI was party to numerous Master Dealer
26 Agreements pursuant to which CCI was given virtually exclusive access to an
27 inventory of collectibles worth literally billions of dollars, (vi) that the stock was
28 being sold pursuant to an exemption from registration under Federal law and was

1 being registered for sale in accordance with California law, (vii) that CCI had \$10
 2 million in cash on hand and was financially strong, (viii) that the CCI website,
 3 through which transactions would be processed, was ready to go live, (ix) that MK
 4 had not taken a salary from CCI and had personally invested millions of dollars into
 5 the company, (x) that in 2016, CCI would be airing a Collectors Café TV Series – a
 6 daily television program hosted by radio and television personality Larry King and
 7 his wife, Shawn King, (xi) that a so-called Collectors Café Bloggers Network had
 8 been established, was ready to launch, and designed to promote CCI’s business –
 9 *“imagine thousands of bloggers promoting and educating their followers on the*
 10 *world of collectibles, this will be happening on a daily basis around the world,”* and
 11 (xi) that CCI has “no existing debt of any kind.” The foregoing representations
 12 were made by MK beginning in early February 2016 through early April 2016, in
 13 person and via telephone at Beverly Hills, California, and Hollywood, California,
 14 and via a Confidential Private Placement Memorandum (as amended) and Business
 15 Plan sent by Defendants, via the internet, to Plaintiff at Beverly Hills, California.

16 7. To lend further credence respecting the desirability of an investment in
 17 CCI, beginning in or about February 2016, at Hollywood, California, MK invited
 18 Plaintiff to attend, and Plaintiff did attend, the taping of a video presentation hosted
 19 by Larry King promoting CCI’s business. Mr. King’s enthusiastic participation in
 20 this event, fortified Defendant’s representations in the aforementioned Private
 21 Placement Memorandum, as amended, that Mr. King was an “equity” partner in the
 22 business who had entered into a “Partnership, Brand Ambassadorship & Host
 23 Agreement” with CCI.

24 8. The representations of material fact set forth in paragraphs 5 and 6
 25 were false and were known by Defendants to have been false at the time they were
 26 made. The true facts intentionally concealed from Plaintiff include: (i) on
 27 information and belief, the so-called Authenticity Insurance Policies did not exist or
 28 either would not have covered a buyer as an insured, as distinguished from CCI,

1 and/or would not have provided adequate insurance coverage – when pressed in
2 May 2018 to simply provide a copy of such an insurance policy, Defendants by their
3 silence refused to do so, (ii) Defendants had no reasonable grounds to believe that
4 the Jackie Robinson contracts could be sold for an amount anywhere close to \$36
5 million, (iv) CCI was not the owner of the Jackie Robinson contracts, instead, CCI
6 held at best a minority interest in the sale proceeds thereof, (v) in May 2018,
7 Plaintiff learned for the first time that upon a sale of the Jackie Robinson contracts,
8 ten percent (10%) had been pledged to the Jackie Robinson Foundation, ten percent
9 (10%) would be paid to Larry King directly, forty percent (40%) would be payable
10 to a previously undisclosed investor group headed by an individual known as Steven
11 Jackson, with the remaining forty percent (40%) split between MK personally and
12 CCI, (vi) on or about September 8, 2017, Defendants notified investors that CCI had
13 entered into an agreement with the Jackie Robinson Foundation to auction the Jackie
14 Robinson contracts thereby inadvertently revealing that CCI either was not the sole
15 owner of the contracts or was not in control over whether they could be sold without
16 the permission of others, (vii) Plaintiff discovered in May 2018, that CCI had
17 disseminated private placement documents to potential investors that were factually
18 inconsistent with one another – for example, although the private placement
19 documents provided by Defendants to Plaintiff flatly stated that CCI had no debt of
20 any kind, a private placement memorandum provided to another investor advised
21 that the CCI was indebted to MK on unpaid promissory notes totaling \$600,000.00,
22 (viii) in or about September 2016, a former employee of CCI revealed to another
23 CCI investor that there were never any binding Master Dealer Agreements in place
24 nor did CCI have exclusive, or any, access to an inventory of collectibles worth
25 literally billions of dollars – on information and belief, as of late 2016, CCI's
26 inventory had a value of less than \$1 million and nothing had been sold, (ix) no
27 attempt was made to qualify CCI's stock for sale in accordance with California
28 securities laws or to secure an exemption from registration under Federal law, (x)

1 instead of using money invested by Plaintiff, and other investors, to fund legitimate
 2 company expenses, CCI used those funds to pay MK's day-to-day living expenses
 3 and lavish lifestyle, and (xi) the CCI website was not ready to go-live at any time
 4 during 2016 or 2017, nor is it operational today, nor was there any reasonable
 5 prospect that a television program hosted by Larry King would come to fruition.

6 9. On information and belief, CCI was not and never has been financially
 7 sound and was basically a front or façade used by MK to raise money to support his
 8 lifestyle and ego. Plaintiff learned in May 2018, from public filings, that in 2016 (i)
 9 David Chapman, CCI's Vice President of Investor Relations, disclosed to other
 10 investors that CCI had lost many of its key employees as a result of the company's
 11 non-payment or late payment of wages and unspecified "integrity" issues involving
 12 MK, (ii) Cori Dyer, CCI's former marketing and media consultant, confirmed that
 13 bloggers had not been "signed up" to promote CCI, and (iii) Ms. Dyer and Chris
 14 Shutte, formerly in charge of Dealer Relations for CCI, confirmed that there were no
 15 "dealers" signed up to provide inventory to CCI – much less pre-insured or pre-
 16 authenticated inventory.

17 10. Had Plaintiff been aware of the true facts as set forth above prior to
 18 investing in CCI, he would not have purchased CCI stock and would not have been
 19 damaged as alleged herein below. As set forth herein above, Plaintiff purchased
 20 CCI stock in April 2016, and did not suspect or become aware of Defendants'
 21 misconduct until the later part of 2017.

22 **FIRST CLAIM FOR RELIEF**

23 **[Against all Defendants – Securities Fraud in Violation** 24 **of § 10(b) of the Exchange Act and Rule 10b-5]**

25 11. Plaintiff realleges and incorporates by reference paragraphs 1 through
 26 10 above as though fully set forth at this point.

27 12. As a result of the intentional misrepresentations and concealment of
 28 material facts as alleged herein above, Defendants acting in concert with one

1 another, have used the means or instruments of interstate commerce, including the
 2 internet, in connection with and to induce the sale of CCI securities in California to
 3 Plaintiff and, in connection therewith, as alleged in paragraphs 5 and 6 of this
 4 Complaint, have knowingly or recklessly employed a scheme or artifice to defraud,
 5 and have made untrue statements of material facts, or have omitted to state material
 6 facts necessary to make the statements made, in light of the circumstances under
 7 which they were made, not misleading. Having engaged in such conduct,
 8 Defendants have acted intentionally and in reckless disregard for the truth in order
 9 to illegally induce Plaintiff to purchase CCI stock.

10 13. Plaintiff has therefore been damaged as a result of Defendants'
 11 misconduct in the sum of no less than \$250,000, exclusive of pre-judgment interest
 12 thereon. Plaintiff's CCI stock was, and remains, valueless.

13 **SECOND CLAIM FOR RELIEF**

14 **[Against all Defendants – Securities Fraud under** 15 **California Law – Corp. Code § 25401)**

16 14. Plaintiff realleges and incorporates by reference paragraphs 1 through
 17 12 above as though fully set forth at this point.

18 15. By reason of the acts and omissions alleged above in paragraphs 5 and
 19 6 of this Complaint, Defendants have violated section 25401 of the California
 20 Corporations Code. By this Complaint, Plaintiff offers to rescind the transaction
 21 pursuant to which he acquired the CCI stock and to return the stock to CCI in
 22 exchange for the purchase price of \$250,000 and interest thereon from the purchase
 23 date. In the alternative, given that the CCI stock is valueless, Plaintiff is entitled to
 24 recover damages from Defendants in the sum of \$250,000, plus prejudgment interest
 25 at the legal rate.

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THIRD CLAIM FOR RELIEF

**[Against all Defendants – Intentional Misrepresentation
and Concealment of Material Facts]**

16. Plaintiff realleges and incorporates by reference paragraphs 1 through 12 above as though fully set forth at this point.

17. As a result of the intentional misrepresentations and concealments of material fact alleged herein above, Defendants have defrauded Plaintiff who is therefore entitled to recover damages of no less than \$250,000, exclusive of prejudgment interest at the legal rate.

18. The acts and wrongs alleged herein were done by Defendants with the intent to defraud Plaintiff, to cause Plaintiff to pay money to Defendants under false pretenses and in conscious disregard for Plaintiff's rights. Defendants have therefore acted fraudulently and with oppression and malice toward Plaintiff who, in addition to his actual damages, is entitled to recover punitive damages in an amount according to proof sufficient to punish Defendants in light of their financial condition.

FOURTH CLAIM FOR RELIEF

[Against all Defendants – Negligent Misrepresentation]

19. Plaintiff realleges and incorporates by reference paragraphs 1 through 12, and 17 above as though fully set forth at this point.

20. At the time Defendants made the misrepresentations alleged in paragraphs 5 and 6 of this Complaint, they had no reasonable grounds for believing them to be true and no reasonable grounds for believing that CCI would be able to honor its promises.

21. As a direct and proximate result of Defendants' negligent misrepresentations, Plaintiff has been damaged as alleged in paragraph 17 above.

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FIFTH CLAIM FOR RELIEF

[Against all Defendants – Breach of Fiduciary Duty]

22. Plaintiff realleges and incorporates by reference paragraphs 1 through 12 above as though fully set forth at this point.

23. In light of Plaintiff's status as a shareholder of CCI, Defendants owed a fiduciary duty to Plaintiff to be truthful and forthcoming as to all matters pertaining to CCI's business. Such fiduciary duties include the affirmative obligation to correct any prior misstatement of fact communicated to Plaintiff in connection with his purchase of CCI stock.

24. Defendants breached their fiduciary duties by (i) misrepresenting and concealing the material facts alleged in paragraphs 5 and 6 of this Complaint, (ii) failing to inform Plaintiff of the true facts subsequent to his investment, (iii) failing to offer to rescind Plaintiff's purchase of CCI stock, (iv) refusing to provide Plaintiff with financial information concerning CCI's business, (v) intentionally misusing or absconding with the funds invested by Plaintiff, and (vi) repeatedly offering to sell Plaintiff additional CCI stock based upon the same misrepresentations alleged herein above for the express purpose of causing Plaintiff to sustain further damages or, at the very least, to conceal their prior misconduct.

25. The acts and wrongs alleged herein were done by Defendants with the intent to defraud Plaintiff, to cause Plaintiff to pay money to Defendants under false pretenses in conscious disregard for Plaintiff's rights. Defendants have therefore breached their fiduciary duties toward Plaintiff and have acted with fraud, oppression and malice toward Plaintiff who, in addition to his actual damages, is entitled to recover punitive damages in an amount according to proof sufficient to punish Defendants in light of their financial condition.

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SIXTH CLAIM FOR RELIEF

[Against All Defendants – Unjust Enrichment]

26. Plaintiff realleges and incorporates by reference paragraphs 1 through 12, 15 and 24 above, as though fully set forth at this point.

27. As a direct and proximate result of the wrongdoing alleged in paragraphs 5 and 6 of this Complaint, and Defendants' intentional mismanagement, and/or reckless or grossly negligent mismanagement of CCI, Defendants have been unjustly enriched at Plaintiff's expense thereby entitling Plaintiff to restitution in the sum of no less than \$250,000, plus prejudgment interest thereon at the legal rate.

WHEREFORE, Plaintiff requests that the Court enter judgment in Plaintiff's favor and against both Defendants, jointly and severally, as follows:

1. For damages of no less than \$250,000, plus prejudgment interest thereon at the legal rate;
2. For punitive damages according to proof;
3. For reasonable attorney's fees, and costs of suit; and
4. For such other and further relief as the Court may deem just and proper.

DATED: June 12, 2018

BROWNE GEORGE ROSS LLP

Guy C. Nicholson
Lori Sambol Brody

By: /s/ Guy C. Nicholson

Guy C. Nicholson
Attorneys for Plaintiff Mehrdad Taghdiri

JURY DEMAND

Plaintiff hereby demands a jury trial.

DATED: June 12, 2018

BROWNE GEORGE ROSS LLP

Guy C. Nicholson

Lori Sambol Brody

By: /s/ Guy C. Nicholson

Guy C. Nicholson

Attorneys for Plaintiff Mehrdad Taghdiri